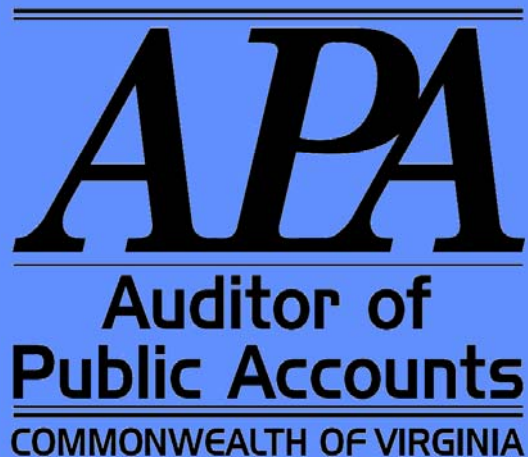


**NORFOLK STATE UNIVERSITY**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2008**



## **AUDIT SUMMARY**

Our audit of Norfolk State University for the year ended June 30, 2008, found:

- the financial statements are presented fairly, in all material respects, with generally accepted accounting principles;
- internal control matters requiring management's attention; and
- instances of noncompliance or other matters required to be reported under Government Auditing Standards.

We have audited the basic financial statements of Norfolk State University as of June 30, 2008, and for the year then ended and issued our report thereon, dated April 24, 2009. Our report, included in the University's basic financial statements, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov).

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## AUDIT FINDINGS AND RECOMMENDATIONS

### Improve SPCC Program Administration

The review of charge card transactions and cardholders' activities revealed the following:

- Each month we found at least 12 cardholders who failed to turn in monthly charge card logs before the processing date and nine cardholders were habitual offenders in failing to turn in logs for four or more months during the year.
- Cardholders' supervisors failed to submit logs to Accounts Payable, but Accounts Payable paid the charge card billing without proper verification of charges or the receipt of goods and services.
- One cardholder did not receive proper prior authorization from the Charge Card Administrator to exceed transaction limits, and as a result were able to improperly incur charges in excess of their limits.

Proper oversight of the charge card program by the University Charge Card Administrator and Accounts Payable will help ensure that cardholders and supervisors do not circumvent controls set forth by management. Failure to have proper procedures could lead to abuse and fraud of this program.

### Enhance Information System Security Process

In our sample of 25 employees who had left the University, we found five had not had their user accounts deleted timely. Three of the accounts remained open from 115 to 180 days after the employee left, and the employee's department and personnel had not completed the University's clearance process for four of the individuals, which is the reason the IT department did not remove their access. The University information security officer should review the clearance process for the departments noted in our sample and determine why the process failed to notify the IT department of the terminations.

The University delivers user identification and passwords for its systems using unencrypted e-mail. Communicating passwords in plain text increases the risk of interception by unauthorized individuals and inappropriate access to sensitive data. We recommend that the University deliver passwords in a secure manner, such as in person, via telephone, or via a secure webpage after authenticating the user's identity.

Since May 2005, the University has not tested its IT continuity of operations plan (COOP). By not testing its IT COOP, the University cannot ensure that the procedures within the plan are sufficient to effectively continue its essential functions during and after a disruption. Since management did not formally approve the COOP until December 2008, the University delayed testing the plan. The University should test its plan as soon as possible and make certain that its business units test their manual procedures.



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

April 24, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable M. Kirkland Cox  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Norfolk State University

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited the financial statements of the business-type activities and aggregate discretely presented component units of **Norfolk State University** as of and for the year ended June 30, 2008, which collectively comprise the University's basic financial statements and have issued our report thereon dated April 24, 2009. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements the Norfolk State University Foundation, Inc. and Subsidiary; the Athletics Foundation of Norfolk State University, Inc.; or the Enterprise and Empowerment Foundation; discretely presented component units, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we

identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies entitled "Improve SPCC Program Administration" and "Enhance Information System Security Process", which are described in the section titled "Audit Findings and Recommendations", to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Instances of noncompliance and other matters, entitled "Improve SPCC Program Administration" and "Enhance Information System Security Process" are described in the section titled "Audit Findings and Recommendations."

The University's response to the findings identified in our audit is included in the section titled "University Response." We did not audit the University's response and, accordingly, we express no opinion on it.

#### Status of Prior Findings

The University has taken adequate corrective action with respect to audit findings reported in the prior year.

### Report Distribution and Exit Conference

The “Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters” is intended solely for the information and use of the Governor and General Assembly of Virginia, the Board of Visitors, and management, and is not intended to be and should not be used by anyone, other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

We discussed this report with management at an exit conference held on April 30, 2009.

AUDITOR OF PUBLIC ACCOUNTS

HV/clj



*Vice President of Finance and Business*  
700 Park Avenue, Suite 310, Norfolk, VA 23504-8004  
Tel : (757) 823-8011 Fax : (757) 823-8084  
Email : [finance&business@nsu.edu](mailto:finance&business@nsu.edu)  
Web: <http://www.nsu.edu>

Finance and Business Division

**Improve SPCC Program Administration**  
Management Response

Norfolk State University will expand controls to provide additional oversight and ensure compliance with the Small Purchase Credit Card (SPCC) Program. Accounts Payable will perform additional procedures to track and report missing logs to the University's Charge Card Administer on a monthly basis. Procurement Services will continue to monitor the SPCC and contact cardholders regarding improper charges to ensure SPCC usage is in compliance with policies and procedures contained in the CAPP Manual and provide annual training as required by DOA. Additionally, corrective action will be taken to prevent future occurrences of cardholders exceeding their transaction limits. Expanded controls will be in place by December 31, 2009.

**Enhance Information System Security Process**  
Management Response

The Office of Information Technology (OIT) and the Office of Human Resources (HR) will work together to develop policies and procedures whereby OIT is immediately notified by supervisors of an employee's separation date to ensure accounts are deactivated in a timely manner. This will supplement the current and existing OIT policies and procedures and the HR employee clearance process.

OIT will modify its password delivery procedures to decrease the risk of password interception. Additionally, OIT will request an exception from VITA for systems which are in place and do not support password reset processes which is in line with VITA standards.

OIT will coordinate and conduct a formal COOP test that is in line with VITA standards and acceptable business practices.

The development and revision of policies and procedures and COOP testing will be completed by the end of fiscal year 2010.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ralph W. Johnson", with a stylized flourish at the end.

Ralph W. Johnson  
Vice President, Finance and Business

## **NORFOLK STATE UNIVERSITY**

Norfolk, Virginia

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Adebisi O. Oladipupo, Vice President for Research and Technology

Phillip D. Adams, Interim Vice President for University Advancement

**\*Represents Board of Visitors and University Administrators as of June 30, 2008**